

**REPORT OF THE AUDIT OF THE
FORMER CALLOWAY COUNTY
SHERIFF**

**For The Period January 1, 2002
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER CALLOWAY COUNTY SHERIFF

**For The Period January 1, 2002
Through January 5, 2003**

The Auditor of Public Accounts has completed the former Calloway County Sheriff's audit for the period of January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff's office did not have any excess fees for the period of January 1, 2002 through January 5, 2003. Excess fees decreased \$1,649 from the prior year. Receipts decreased by \$19,742 from the prior year and disbursements decreased by \$18,093.

Report Comments:

- The Former Sheriff Should Not Have A Deficit Of \$2,757 In His Official Fee Account As Of January 5, 2003
- Lacks Adequate Segregation Of Duties

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Elkins, Calloway County Judge/Executive

Honorable Stan Scott, Former Calloway County Sheriff

Honorable Larry W. Roberts, Calloway County Sheriff

Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Calloway County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Elkins, County Judge/Executive
Honorable Stan Scott, Former Calloway County Sheriff
Honorable Larry W. Roberts, Calloway County Sheriff
Members of the Calloway County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Should Not Have A Deficit Of \$2,757 In His Official Fee Account As Of January 5, 2003
- Lacks Adequate Segregation Of Duties

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2003

CALLOWAY COUNTY
 STAN SCOTT, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

Federal Grants

| | | |
|--------------------------------------|--------------|-----------|
| Tri-County Drug Task Force Grant | \$ 41,115 | |
| Community Oriented Policing Services | 18,016 | |
| Pennyrile Narcotics | <u>5,950</u> | \$ 65,081 |

State Grants

| | | |
|-------------------------------------|--|--------|
| Kentucky Law Enforcement Foundation | | 57,216 |
|-------------------------------------|--|--------|

State Fees For Services:

| | | |
|------------------------------------|--|---------|
| Finance and Administration Cabinet | | 108,115 |
|------------------------------------|--|---------|

Circuit Court Clerk:

| | | |
|--------------------------|--------------|--------|
| Sheriff Security Service | \$ 8,362 | |
| Fines and Fees Collected | <u>5,810</u> | 14,172 |

Fiscal Court

| | | |
|-------------------------------------|--------------|--------|
| Employer's Share of Social Security | \$ 48,971 | |
| Health Insurance | 10,815 | |
| Supplies and Reimbursements | <u>2,028</u> | 61,814 |

County Clerk - Delinquent Taxes

2,531

Commission On Taxes Collected

325,607

Fees Collected For Services:

| | | |
|--|---------------|---------|
| Auto Inspections | \$ 16,990 | |
| Carrying Concealed Deadly Weapon Permits | 7,823 | |
| Transporting Prisoners | 2,571 | |
| Serving Papers | 34,537 | |
| Sheriff's Fees | <u>51,384</u> | 113,305 |

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY
 STAN SCOTT, FORMER COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Receipts (Continued)

Other:

| | | | |
|---------------------------------|----|---------------|------------|
| Miscellaneous | \$ | 4,411 | |
| Transfers From Dispatch | | 31,000 | |
| Equipment Sold | | 2,500 | |
| City of Hazel - Law Enforcement | | 6,361 | |
| Insurance Reimbursements | | 13,630 | |
| School Security | | <u>55,146</u> | \$ 113,048 |

Interest Earned 3,477

Borrowed Money:

| | | | |
|--------------------|----|--------------|----------------|
| State Advancement | \$ | 200,000 | |
| County Advancement | | 45,000 | |
| Bank Notes | | <u>9,000</u> | <u>254,000</u> |

Total Receipts \$ 1,118,366

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

| | | | |
|------------------------------|----|------------|------------|
| Deputies' Salaries | \$ | 616,299 | |
| Sheriff's Training Incentive | | <u>741</u> | \$ 617,040 |

Employee Benefits-

| | | | |
|----------------------------------|--|--------|--|
| Employer's Share Social Security | | 48,971 | |
|----------------------------------|--|--------|--|

Materials and Supplies-

| | | | |
|-------------------------------|--|--------|--|
| Office Materials and Supplies | | 45,974 | |
|-------------------------------|--|--------|--|

Auto Expense-

| | | | |
|-------------------------|--|--------|--|
| Maintenance and Repairs | | 37,230 | |
|-------------------------|--|--------|--|

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY
 STAN SCOTT, FORMER COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-

| | | | |
|--|----|---------------|-----------|
| Conventions and Travel | \$ | 7,420 | |
| Civil Process | | 16,936 | |
| Postage | | 2,842 | |
| Carrying Concealed Deadly Weapon Permits | | 5,549 | |
| Transfers To Dispatch | | 10,000 | |
| Miscellaneous | | <u>13,083</u> | \$ 55,830 |

Capital Outlay-

| | | | |
|----------|--|--|-------|
| Vehicles | | | 7,850 |
|----------|--|--|-------|

Debt Service:

| | | | |
|-------------------|----|--------------|----------------|
| State Advancement | \$ | 200,000 | |
| Vehicle Loans | | 28,496 | |
| Equipment Loans | | <u>5,893</u> | <u>234,389</u> |

| | | | |
|-------------------------|--|--|-----------------------|
| Total Disbursements | | | <u>\$ 1,047,284</u> |
| Net Receipts | | | \$ 71,082 |
| Less: Statutory Maximum | | | <u>71,153</u> |
| Due From Fiscal Court | | | <u><u>\$ (71)</u></u> |

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent during the year.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

Note 4. Grants

During the period January 1, 2002 through January 5, 2003, the former Sheriff received funds from three federal grants and one state grant. The former Sheriff received \$41,115 from the Tri-County Drug Task Force, \$18,016 from a Community Oriented Policing Services (COPS) grant, \$5,950 from the Pennyrile Narcotics, and \$57,216 from the Kentucky Law Enforcement Foundation Fund.

Note 5. Drug Fund

The Calloway County Sheriff's office established a Drug Fund on February 14, 2000 with seizures received from various court cases. The beginning balance was \$6,463 as of January 1, 2002. Receipts were \$18,467 and disbursements were \$18,350, leaving an ending balance of \$6,580 as of January 5, 2003. These funds were transferred to the current Sheriff.

Note 6. Dispatch Fund

The Dispatch Fund was set up to pay dispatcher's salaries and purchase any dispatch equipment needed. The county disbursed funds to the former Sheriff's office as reimbursements for salaries and equipment. The beginning balance was \$21,283 as of January 1, 2001. Receipts were \$126,000 and disbursements were \$135,838 leaving an ending balance of \$11,445 as of January 5, 2003. These funds were transferred to the current Sheriff.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 7. Deficit

The former Sheriff Scott had a \$2,757 deficit in his official bank account as of January 5, 2003. There was a prior year deficit of \$5,127 as of December 31, 2001. The Sheriff made a personal deposit of \$2,370 to eliminate part of this deficit on August 19, 2002. The deficit was caused by disallowed disbursements.

SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

CALLOWAY COUNTY
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Period January 1, 2002 Through January 5, 2003

Assets

| | |
|---|--------------|
| Cash in Bank | \$ 151,999 |
| Deposits in Transit | 90,507 |
| Receivables: | |
| Fiscal Court | 71 |
| Payroll Reimbursement Due From Current Sheriff's Office | 1,186 |
| Tri-County Drug Task Force Grant | <u>8,679</u> |
| Total Assets | \$ 252,442 |

Liabilities

| | |
|-------------------------------------|--------------------------|
| Outstanding Checks | \$ 7,358 |
| Liabilities | 242,608 |
| Calloway County- | |
| Excess Fees - 2000 | 3,674 |
| Excess Fees - 2001 | <u>1,559</u> |
| Total Liabilities | <u>255,199</u> |
| Total Deficit as of January 5, 2003 | <u><u>\$ (2,757)</u></u> |

The deficit is comprised of disallowed expenditures of \$3,674 from 2000 and \$1,453 from 2001. The Sheriff made a personal deposit of \$2,370 to reduce this deficit on August 19, 2002. In order to make up the remainder of this deficit, the Sheriff should deposit personal funds to his fee account.

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COMMENTS AND RECOMMENDATIONS

CALLOWAY COUNTY
STAN SCOTT, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Not Have A Deficit Of \$2,757 In His Official Fee Account As January 5, 2003

Former Sheriff Scott is responsible for a \$2,757 deficit in his official bank account as of January 5, 2003. This former Sheriff had a prior year deficit of \$5,127. The Sheriff made a personal deposit of \$2,370 to eliminate part of this deficit on August 19, 2002. We recommend that the former Sheriff deposit additional personal funds into his fee account to eliminate the remainder of this deficit and remit \$5,233 to the fiscal court as additional excess fees for calendar years 2000 and 2001.

Former County Sheriff's Response:

None.

INTERNAL CONTROL:

Lacks Adequate Segregation Of Duties

The former Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. The former Sheriff could have implemented compensating controls to offset this internal control weakness.

Former County Sheriff's Response:

None.

PRIOR YEAR:

The prior year comments were:

- The Former Sheriff Had A Deficit Of \$5,127 In His Official Fee Account As Of December 31, 2001. This has been partially corrected.
- The Calloway County Ethics Board Should Review A Vehicle Purchase Made By The Former Sheriff. This has not been corrected.
- The Former Sheriff Should Have Paid Invoices In A Timely Manner.
- Lacks Adequate Segregation Of Duties. This was not corrected.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Calloway County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated April 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Calloway County Sheriff's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Former Sheriff Should Not Have A Deficit Of \$2,757 In His Official Fee Account As Of January 5, 2003

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Calloway County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations section.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2003

